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NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS ANY INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

OIL AND GAS LEASE

STATE OF TEXAS           §  
                                     §  
COUNTY OF TARRANT   §

THIS AGREEMENT is made effective May <sup>11</sup>16, 2008, between TSCA-227 Limited Partnership, a Texas limited partnership, whose address is 301 South Sherman Street, Suite 100, Richardson, Texas 75081, (hereinafter referred to as "Lessor"), and Dale Property Services, L.L.C., a Texas limited liability company, (hereinafter referred to as "Lessee"), whose address is 2100 Ross Avenue, Suite 1870, LB-9, Dallas, Texas 75201.  
Grant.

In consideration of Ten Dollars and other consideration in hand paid, Lessor grants and leases exclusively unto Lessee the following described land (the "Land") in Tarrant County, Texas, for the sole purpose of exploring, drilling, and producing oil and gas, laying pipelines and building roads and tanks thereon to produce, save, treat, process, store, and transport oil and gas and other products manufactured from oil and gas produced from the Land described as follows:

**14.9561 acres of land, more or less, being all of Lots 1R-1A, 2R-1 and 2B, Block 1, out of Harwood Hills Village Addition, an addition to the City of Bedford, Tarrant County, Texas, with metes and bounds according to the plat thereof recorded in Volume 13730, Page 499, Plat Records of Tarrant County, Texas.**

**1) Primary Term.** This Lease is for a term of three (3) years from this date (called "Primary Term") and so long thereafter as oil or gas is produced from the Land in paying quantities or the lease is continued in effect as otherwise provided herein.

**2) Minerals Covered.** Notwithstanding any other provision hereof, this lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore.

**3) Royalty.** (a) The royalties to be paid Lessor are:

(1) 25% of all oil (including distillate or condensate and other liquid hydrocarbons) produced and saved from the Land, the same to be delivered at the well or to the credit of Lessor into the pipeline to which the well or wells may be connected.

(2) 25% of the gross proceeds received at the point of delivery or first sale of all gas, including casinghead gas or other gaseous substances, produced from the Land.

(3) 25% of the gross proceeds of all plant products (including residue gas), free of any processing cost, where gas is processed in a plant on or off the Land by Lessee or any affiliated person or entity; and if processed, but not by Lessee or an affiliated person or entity, 25% of that part of the proceeds received by Lessee for the processed gas and products therefrom that are allocable to the production from the Land.

(b) Unless specified below, Lessor's royalty may not be charged, directly or indirectly, with any of Lessee's expenses of production, gathering, compressing, treating or marketing the oil and gas produced from the Land, and all of such expenses shall be considered costs of production and not post production costs. Royalty will be paid on gas used by Lessee in compression, but royalties will not be paid on gas used in gas lift operations or recycling. It is the intent of the parties that the provisions of this Section 4(b) are to be fully effective and enforceable and are not to be construed as "surplusage" under the principles set forth in *Heritage Resources v. NationsBank*, 939 S.W.2d 118 (Tex. 1997). Notwithstanding the foregoing, Lessor's royalty may be charged with costs and expenses of transporting, dehydrating, compressing, processing and

treating gas produced from the lease as long as such costs are charged to Lessee by a gas purchaser or transportation company which is not an affiliate of Lessee in an arms length transaction, and provided such costs do not exceed those charged for performing similar services by unrelated third parties in arms length transactions in Tarrant County, Texas. If gas produced from the Land is sold by Lessee pursuant to an arms-length contract with a purchaser that is not an affiliate of Lessee, and for a term no longer than that which is usual and customary in the industry at the time the contract is made, then the market value of the gas sold pursuant to the contract shall be the total proceeds received by Lessee in the sale.

c) Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than 120 days after the end of the month following first delivery of gas from the well into the pipeline. Thereafter, Lessee must disburse or cause to be disbursed to Lessor by the last day of each month its royalty on production for which Lessee received payment in the preceding month, but in no event shall royalty be paid more than 60 days after the last day of the month of production. If not paid when due, Lessor's royalty shall bear interest at the maximum lawful rate from due date until paid, which amount Lessee agrees to pay.

(d) Acceptance by Lessor of royalties that are past due shall not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor.

(e) The receipt by Lessee, or Lessee's operator, from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee, or Lessee's operator, acquiring legal or equitable title to those proceeds, but Lessee, or Lessee's operator, will at all times hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Land or pipeline company transporting production from the Land, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

(f) Gas produced from the Land shall not be commingled with gas produced from any other lands prior to the point where the gas produced from this lease passes through the meter which will measure the gas for calculating the payment made by the purchaser of gas production.

**5) Shut-in Royalty.** If there is a gas well on this lease capable of producing in paying quantities, but gas is not being sold, Lessee shall pay or tender on or before 180 days after the date which the well is shut-in, an annual royalty in the amount set forth below for each well from which gas is not being sold. The royalty amount shall be \$25 per acre. While royalty payments are timely and properly paid, the well shall be considered as a producing well. The right of Lessee to maintain this lease in force by payment of shut-in gas royalty is limited to a period of two (2) consecutive years or four (4) years in the aggregate following expiration of the Primary Term. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto.

**6) Continuous Development.** (a) If, at the expiration of the Primary Term, oil or gas is not being produced from the Land, but Lessee has commenced the drilling of a well on **land pooled with** the Land, the Lease will not terminate but will remain in effect for so long thereafter as operations are carried out with due diligence with no cessation of more than 120 days, and if the operations result in the production of oil or gas, the Lease shall remain in force as otherwise provided herein. For the purposes of this Lease, the term "operations" means operations for any of the following: operations for drilling, testing, completing, reworking, recompleting, deepening, plugging back, or repairing of a well in search of or in the endeavor to obtain production of oil or gas.

(b) If this Lease is maintained upon the expiration of the primary term by production, drilling or otherwise as provided herein, this Lease will remain in force as to all acreage covered hereby, as long as there is no lapse of more than 180 days between the completion of one well thereon and the commencement of the actual drilling of another well thereon. For the purpose of computing the time for the commencement of actual drilling of a well, each well drilled shall be deemed to have been completed on the date of the release of the drilling rig from the drillsite of the well, if a dry hole, or on the date of completing the Texas Railroad Commission Potential Test if the well is completed as a well capable of producing

oil or gas.

(c) If after the expiration of the primary term production from any well shall cease for any cause, Lessee shall have 120 days from the cessation of production to commence, and thereafter prosecute with due diligence drilling or reworking operations in a good faith attempt to restore production from the tract on which the well is located with no cessation of more than 120 days, and if such operations result in production, this lease shall continue as to such tract for so long as production in paying quantities continues from such tract.

(d) Upon the expiration of the Primary Term, or such later time as the Lease is not maintained by continuous development, this Lease will terminate except as to the amount of acreage described below surrounding any well that is then producing in paying quantities, or deemed to be producing in paying quantities by virtue of payment of shut-in royalties, (hereafter a "Retained Tract"), and as to each Retained Tract, the Lease will then terminate as to all depths below 100 feet below the stratigraphic equivalent of the base of the deepest producing formation on the Retained Tract. The Lease will be treated as a separate lease with respect to each Retained Tract and will continue so long as production in paying quantities continues from the tract.

7) **Pooling.** Lessee shall have the right to pool the Land with other contiguous acreage to form a pooled unit for the production of oil and gas. The size of the unit shall not exceed 320 acres plus a ten percent (10%) tolerance for a horizontal gas well. Lessee shall file for record in the Real Property Records where the land is located, an instrument describing and designating the pooled acreage and depths for the pooled unit, and upon such recordation, the unit shall become effective as to all parties hereto. Lessee may at its election exercise its pooling option before or after commencing operations. In the event of operations for drilling on or production of oil or gas from any part of the pooled unit which includes the land covered by this Lease, the operations or production shall be considered as operations on or production of oil or gas from the land covered by this Lease, whether or not the well is located on the land covered by this Lease. For the purposes of computing the royalties to which owners of royalty payments out of production shall be entitled on production of oil or gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this Lease and included in the unit that prorated portion of the oil and gas, or either of them, produced from the pooled unit which the number of mineral acres covered by this Lease and included in the pooled unit bears to the total number of mineral acres included in the pooled unit. Royalties shall be computed on the portion of such production whether it be oil and gas, or either of them, so allocated to the land covered by this Lease and included in the unit just as though such production was from the land covered by this Lease.

8) **Secondary Recovery.** Lessee will not implement any repressuring, pressure maintenance, recycling, or secondary recovery operations without the prior written consent of Lessor, which consent will not be unreasonably withheld.

9) **Assignments.** All assignments, except those to officers, subsidiaries, and affiliates of Lessee, must be approved by Lessors in writing and will require the assignee to assume all of Lessee's obligations under this lease.

10) **Force Majeure.** Should Lessee be prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money that has accrued as was due prior to the occurrence of the force majeure event), from conducting drilling or reworking operations on the Land, or from producing oil or gas, then while so prevented, that covenant will be suspended; Lessee will not be liable for damages for failure to comply therewith; this Lease will be extended so long as Lessee is prevented from conducting drilling or reworking operations on or from producing oil or gas from the Land; and the time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God, war, strike, riot, insurrection, any federal or state law, or any rule or regulation of governmental authority, or other similar cause (other than financial reasons). The inability to obtain a permit to drill a well from the City of Benbrook shall constitute a force majeure, but may not be used to extend this lease in excess of two years.

11) **No Warranties.** Lessor makes no warranty of any kind with respect to title to the Land.

By acceptance of this lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures. If Lessor owns an interest in the Land less than the entire fee simple estate, then the royalties payable hereunder shall be reduced proportionately. Lessee, at its option, may discharge any tax, mortgage, or other lien on the Land, and in the event Lessee does so, Lessee will have the option to apply the royalties accruing to Lessor toward payment of it.

**12) Curing Defaults.** Should Lessee at any time fail to comply with its obligations hereunder regarding construction, maintenance, or repair, Lessor shall have the right, after giving 60 days prior written notice to Lessee, to do or have done whatever is necessary to fulfill the obligations to its satisfaction, and Lessee shall be liable to Lessor for the reasonable and necessary expenses thus incurred by Lessor, to be paid within 30 days after Lessor shall have furnished Lessee an itemized written statement of the expenses.

**13) Notices.** All notices shall be deemed given and reports shall be deemed delivered if sent by certified letter, personal delivery, Federal Express, or other courier service, properly addressed and deposited in the United States mail, postage prepaid, to Lessor and Lessee at the addresses shown above, or by personal delivery or delivery by Federal Express or other courier service which provides verification of receipt.

**14) Attorney's Fees.** the event that Lessor or Lessee shall be required to employ legal counsel for the enforcement of any provision of this lease and prevails by a final, unappealable judgment, the party found to be in default of the provisions of the lease shall be liable to the other for reasonable attorney's fees and expenses incurred in connection with enforcing the rights under this lease.

**15) Indemnity.** LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY LESSEE'S OPERATIONS ON THE LAND OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS.

**16) Option Clause.** Notwithstanding anything to the contrary herein contained, Lessee is hereby granted the exclusive option, to be exercised prior to the date on which this lease or any portion thereof would expire in accordance with its terms and provisions, of extending this lease for an additional period of two (2) years as to all or any portion of the acreage described herein. The only action required by Lessee to exercise this option being payment to Lessor, at the above address, of an additional consideration of the sum of thirteen thousand five hundred dollars (\$13,500.00) per net mineral acre so extended, which payment shall cover the entire two (2) year extended primary term. Should this option be exercised as herein provided, it shall be considered for all purposes as though this lease originally provided for a primary term of five (5) years. If this lease is extended as to only a portion of the acreage then covered thereby, Lessee shall designate such portion by a recordable instrument.

**17) Miscellaneous Provisions.** (a) In the event this lease expires for any reason as to all or any part of the Land, Lessee shall promptly furnish Lessor with a written, recordable release covering all of the Land or that portion of the Land to be released.

(b) Nothing in this lease negates the usual implied covenants imposed upon Lessee.

(c) Upon receipt of written request from Lessor, Lessee shall furnish Lessor with copies of all title opinions prepared for Lessee covering the Leased Premises. Such title information shall

be without warranty and shall be provided for informational purposes only.

(d) Upon receipt of written request from Lessor, Lessee shall furnish Lessor copies of reports filed with the Railroad Commission of Texas or other governmental authority having jurisdiction, including, but not limited to, applications to drill, well tests, completion reports, plugging records, and production reports, Lessee shall, at the same time, deliver a copy of the report to Lessor.

(e) Lessee will divulge to Lessor correct information as requested by Lessor as to each well, the production therefrom, and such technical information as Lessee may require.

(f) No obligation that has accrued prior to the occurrence of the Force Majeure event of Lessee to pay money under this lease will be excused or delayed by reason of Force Majeure. Lessee's obligations to pay money under this lease are to be performed in Tarrant County, Texas. Paragraph headings are used in this lease for convenience only and are not to be considered in the interpretation or construction of this lease. The execution or ratification by Lessor of any division order, gas contract, or any other document will not alter any provision of this lease unless the intent to do so is expressly stated in the document.

(g) Lessor and Lessee may execute a memorandum of this lease for recording purposes rather than recording this lease.

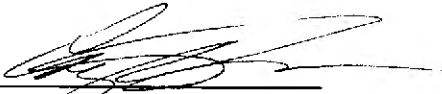
(h) This lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns. Executed on the date first above written.

18) Notwithstanding anything contained herein, Lessee shall not conduct any surface operations on the herein leased premises, however, Lessee shall have the right to explore for the oil and gas under the leased premises and the right to drill, operate and produce directional and/or horizontal wells through and under the leased premises, irrespective of the bottom hole locations of such wells. To this end, Lessor grants to Lessee a subsurface easement for all purposes associated with such horizontal and/or directional wells.

IN WITNESS WHEREOF, this instrument is executed on the date first written above.


LESSOR:

TSCA-227 Limited Partnership, a Texas limited partnership  
By: TSCA-227 Holdings, Inc., a Texas corporation, as General Partner

  
By: Coy Quine  
Title: Vice President of TSCA-227 Holding, Inc.

LESSEE:

Dale Property Services, L.L.C., a Texas limited liability company

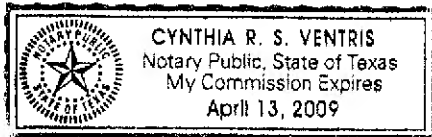
  
By: Mike Taliaferro  
Title: President

## Acknowledgements

STATE OF TEXAS  
COUNTY OF TARRANT

This instrument was acknowledged before me on the 16<sup>th</sup> day of May, 2008, by  
Coy Quine, Vice President of TSCA-227 Holdings, Inc., a Texas corporation, General Partner of  
TSCA-227 Limited Partnership, a Texas limited partnership, on behalf of said partnership.

Cynthia R. S. Ventris



Notary Public, State of Texas

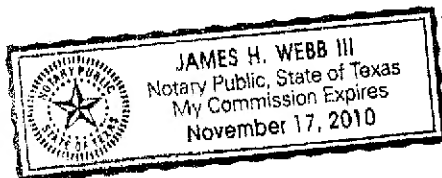
Notary's name (printed):

Notary's commission expires:

STATE OF TEXAS  
COUNTY OF TARRANT

This instrument was acknowledged before me on the 20 day of May, 2008, by  
Mike Taliaferro, President of Dale Property Services, L.L.C., a Texas limited liability company, on  
behalf of said company.

James H. Webb III



Notary Public, State of Texas

Notary's name (printed):

Notary's commission expires:



DALE RESOURCES LLC  
2100 ROSS AVE STE 1870 LB-9

DALLAS TX 75201

Submitter: DALE RESOURCES LLC

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SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 06/02/2008 10:26 AM  
Instrument #: D208203871  
LSE 7 PGS \$36.00

By: \_\_\_\_\_



**D208203871**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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